

109TH CONGRESS  
1ST SESSION

# H. R. 117

To amend the Internal Revenue Code of 1986 to make higher education more affordable by providing a tax deduction for higher education expenses, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2005

Mr. HOLT (for himself and Mrs. LOWEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to make higher education more affordable by providing a tax deduction for higher education expenses, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Higher Education Af-  
5 fordability and Fairness Act of 2005”.

1 **SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

2 (a) INCREASE IN DOLLAR LIMITATION.—Subsection  
3 (b) of section 222 of the Internal Revenue Code of 1986  
4 (relating to dollar limitations) is amended to read as fol-  
5 lows:

6 “(b) LIMITATIONS.—

7 “(1) LIMITATION FOR FIRST 2 YEARS OF POST-  
8 SECONDARY EDUCATION.—For any taxable year pre-  
9 ceding a taxable year described in paragraph (2),  
10 the amount of qualified tuition and related expenses  
11 which may be taken into account under subsection  
12 (a) shall not exceed—

13 “(A) except as provided in subparagraph  
14 (B), the excess (if any) of—

15 “(i) the lesser of—

16 “(I) \$10,000 for each eligible  
17 student, or

18 “(II) \$15,000, over

19 “(ii) the amount of such expenses  
20 which are taken into account in deter-  
21 mining the credit allowable to the taxpayer  
22 or any other person under section  
23 25A(a)(1) with respect to such expenses,  
24 and

25 “(B) in the case of a taxpayer with respect  
26 to whom the credit under section 25A(a)(1) is

1 reduced to zero by reason of section 25A(d)(1),  
2 \$5,000.

3 “(2) LIMITATION FOR SECOND 2 YEARS OF  
4 POSTSECONDARY EDUCATION.—For any taxable year  
5 if an eligible student has completed (before the be-  
6 ginning of such taxable year) the first 2 years of  
7 postsecondary education at an eligible educational  
8 institution, the amount of qualified tuition and re-  
9 lated expenses which may be taken into account  
10 under subsection (a) shall not exceed—

11 “(A) except as provided in subparagraph  
12 (B) or (C), \$10,000,

13 “(B) in the case of a taxpayer with respect  
14 to which a credit under section 25A(a)(1) would  
15 be reduced to zero by reason of section  
16 25A(d)(1), \$5,000, and

17 “(C) in the case of taxpayer with respect  
18 to whom the credit under section 25A(a)(2) is  
19 allowed for such taxable year, zero.

20 “(3) DEDUCTION ALLOWED ONLY FOR 4 TAX-  
21 ABLE YEARS FOR EACH ELIGIBLE STUDENT.—A de-  
22 duction may not be allowed under subsection (a)  
23 with respect to the qualified tuition and related ex-  
24 penses of an eligible student for any taxable year if  
25 such a deduction was allowable with respect to such

1 expenses for such student for any 4 prior taxable  
 2 years.

3 “(4) ELIGIBLE STUDENT.—For purposes of  
 4 this section, the term ‘eligible student’ has the  
 5 meaning given such term by section 25A(b)(3).”.

6 (b) REPEAL OF TERMINATION.—Section 222 of such  
 7 Code is amended by striking subsection (e).

8 (c) DETERMINATION OF ADJUSTED GROSS INCOME  
 9 WITH RESPECT TO OTHER BENEFITS.—

10 (1) Section 21(a)(2) of such Code is amended  
 11 by inserting “(determined without regard to section  
 12 222)” after “adjusted gross income”.

13 (2) Section 22(d) of such Code is amended—

14 (A) by inserting “(determined without re-  
 15 gard to section 222)” after “adjusted gross in-  
 16 come” the first place it appears, and

17 (B) by inserting “(as so determined)” after  
 18 “adjusted gross income” the second place it ap-  
 19 pears.

20 (3) Section 23(b)(2)(B) of such Code is amend-  
 21 ed by inserting “222,” before “911”.

22 (4) Section 24(b)(1) of such Code is amended  
 23 by inserting “222,” before “911”.

24 (5) Section 151(d)(3) of such Code is amend-  
 25 ed—

1 (A) by inserting “(determined without re-  
 2 gard to section 222)” after “adjusted gross in-  
 3 come” in subparagraph (A), and

4 (B) by inserting “(as so determined)” after  
 5 “adjusted gross income” in subparagraph (B).

6 (6) Section 165(h)(2)(A)(ii) of such Code is  
 7 amended by inserting “(determined without regard  
 8 to section 222)” after “adjusted gross income”.

9 (7) Section 213(a) of such Code is amended by  
 10 inserting “(determined without regard to section  
 11 222)” after “adjusted gross income”.

12 (8) Section 1400C(b)(2) of such Code is  
 13 amended by inserting “222,” before “911”.

14 (d) EFFECTIVE DATE.—The amendments made by  
 15 this section shall apply to expenses paid after December  
 16 31, 2004 (in taxable years ending after such date), for  
 17 education furnished in academic periods beginning after  
 18 such date.

19 **SEC. 3. EDUCATION TAX CREDIT FAIRNESS.**

20 (a) INCREASE IN AGI LIMITS.—

21 (1) IN GENERAL.—Subsection (d) of section  
 22 25A of the Internal Revenue Code of 1986 is  
 23 amended to read as follows:

24 “(d) LIMITATION BASED ON MODIFIED ADJUSTED  
 25 GROSS INCOME.—

1 “(1) HOPE CREDIT.—

2 “(A) IN GENERAL.—The amount which  
3 would (but for this subsection) be taken into ac-  
4 count under subsection (a)(1) shall be reduced  
5 (but not below zero) by the amount determined  
6 under subparagraph (B).

7 “(B) AMOUNT OF REDUCTION.—The  
8 amount determined under this subparagraph  
9 equals the amount which bears the same ratio  
10 to the amount which would be so taken into ac-  
11 count as—

12 “(i) the excess of—

13 “(I) the taxpayer’s modified ad-  
14 justed gross income for such taxable  
15 year, over

16 “(II) \$50,000 (\$100,000 in the  
17 case of a joint return), bears to

18 “(ii) \$10,000 (\$20,000 in the case of  
19 a joint return).

20 “(2) LIFETIME LEARNING CREDIT.—

21 “(A) IN GENERAL.—The amount which  
22 would (but for this subsection) be taken into ac-  
23 count under subsection (a)(2) shall be reduced  
24 (but not below zero) by the amount determined  
25 under subparagraph (B).

1           “(B) AMOUNT OF REDUCTION.—The  
 2           amount determined under this subparagraph  
 3           equals the amount which bears the same ratio  
 4           to the amount which would be so taken into ac-  
 5           count as—

6                     “(i) the excess of—

7                             “(I) the taxpayer’s modified ad-  
 8                             justed gross income for such taxable  
 9                             year, over

10                            “(II) \$40,000 (\$80,000 in the  
 11                            case of a joint return), bears to

12                            “(ii) \$10,000 (\$20,000 in the case of  
 13                            a joint return).

14           “(3) MODIFIED ADJUSTED GROSS INCOME.—  
 15           For purposes of this subsection, the term ‘modified  
 16           adjusted gross income’ means the adjusted gross in-  
 17           come of the taxpayer for the taxable year increased  
 18           by any amount excluded from gross income under  
 19           section 911, 931, or 933.”.

20           (2) CONFORMING AMENDMENT.—Paragraph (2)  
 21           of section 25A(h) of such Code is amended to read  
 22           as follows:

23                     “(2) INCOME LIMITS.—

24                             “(A) HOPE CREDIT.—In the case of a tax-  
 25                             able year beginning after 2005, the \$50,000

and \$100,000 amounts in subsection (d)(1)(B)(i)(II) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2004’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) LIFETIME LEARNING CREDIT.—In the case of a taxable year beginning after 2001, the \$40,000 and \$80,000 amounts in subsection (d)(2)(B)(i)(II) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2000’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(C) ROUNDING.—If any amount as adjusted under subparagraph (A) or (B) is not a



1 multiple of \$1,000, such amount shall be  
2 rounded to the next lowest multiple of \$1,000.”.

3 (b) COORDINATION WITH OTHER HIGHER EDU-  
4 CATION BENEFITS.—Section 25A(g) of such Code is  
5 amended by striking paragraph (5) and by redesignating  
6 paragraphs (6) and (7) as paragraphs (5) and (6), respec-  
7 tively.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to expenses paid after December  
10 31, 2004 (in taxable years ending after such date), for  
11 education furnished in academic periods beginning after  
12 such date.

13 **SEC. 4. RELATIONSHIP BETWEEN TUITION AND FINANCIAL**  
14 **AID.**

15 (a) STUDY.—The Comptroller General of the United  
16 States shall conduct an annual study to examine whether  
17 the Federal income tax incentives to provide education as-  
18 sistance affect higher education tuition rates in order to  
19 identify if institutions of higher education are absorbing  
20 the intended savings by raising tuition rates.

21 (b) REPORT.—The Comptroller General of the  
22 United States shall report the results of the study required  
23 under subsection (a) to Congress on an annual basis.

1 **SEC. 5. SENSE OF THE HOUSE OF REPRESENTATIVES RE-**  
2 **GARDING PELL GRANTS.**

3 It is the sense of the House of Representatives that  
4 the maximum Pell Grant should be increased to \$4,700  
5 to pay approximately—

6 (1) 20 percent of the tuition, fees, room and  
7 board, and other expenses of the average college, or

8 (2) the tuition and fees of the average public  
9 college.

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